

Application for Retirement Benefits – PART 3

ABOUT TAXES AND ROLLOVERS

In Part 3, you will find the following documents:

1. Special Tax Notice Regarding Plan Payments [Pages L - N]
2. Internal Revenue Service Memorandum # 93-26 [Page N]
3. Substitute Federal Withholding Tax Form (for fixed monthly amount) [Page 11]
4. Indiana State Withholding form WH-4P (for monthly withholding) [Page 12]
5. Indiana State Withholding form WH-4P (for lump sum withholding) [Page 13]

NOTE: Federal and State tax withholding can be changed at any time by contacting this office for necessary forms.

INSTRUCTIONS FOR RETIREES SELECTING ALTERNATIVE I OR ALTERNATIVE III AT RETIREMENT:

Most monthly income received by retirees who use Alternative I or Alternative III is taxable. The part of the Annuity Savings Account that is not taxable is prorated over the expected life of the retirement benefits – thus approximately 97% to 99% of the monthly benefit is taxable.

Since retirees who have selected Alternative I or Alternative III are not withdrawing taxable portions of their Annuity Savings Accounts, those retirees need not be concerned with any tax forms except:

1. Substitute Federal Withholding Tax Form (for fixed monthly amount)
2. Indiana State Withholding form WH-4P (for monthly withholding)

FEDERAL WITHHOLDING

1. All retirees must fill out Substitute Federal Withholding Form WH-4P. Please contact a qualified tax consultant if you have further questions.

STATE WITHHOLDING

1. State withholding on monthly pension payments is optional. If a retiree decides to have money withheld for Indiana State Income Tax, the retiree should fill out the WH-4P form marked “monthly.” [Page 12] In the box marked “A,” please list your Teachers’ Retirement Fund number. In the box marked “B. \$,” please put the exact amount (in dollars) that you wish to have withheld each month.
2. Retirees who reside out-of-state should not fill out a WH-4P Indiana State withholding tax form. The Fund can only deduct Indiana taxes. If you reside out-of-state, you will not owe Indiana tax.

INSTRUCTIONS FOR RETIREES SELECTING ALTERNATIVE IV-A or IV-B AT RETIREMENT

1. Retirees taking Alternative IV-A or IV-B must fill out the Substitute Federal Withholding Tax Form for monthly pension payments.
2. Retirees over the age of 70 may not choose Alternative IV-A or IV-B.
3. Under current IRS regulations, you must begin to receive distributions from your Annuity Savings Account by April 1 of the year that follows the later of the:
 - a. Calendar year in which you reach age 70 ½
 - b. Calendar year in which you retire

INSTRUCTIONS FOR RETIREES SELECTING ALTERNATIVE II AT RETIREMENT AND WHO INTEND TO DIRECTLY RECEIVE THE TAXABLE AMOUNT IN THEIR ANNUITY SAVINGS ACCOUNT

1. Retirees taking Alternative II should read the "SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS" included in this section of the retirement packet.
2. Retirees taking Alternative II must fill out the Substitute Federal Tax Withholding Form for monthly payments. Please consult a qualified tax consultant if you have further questions.
3. Retirees taking Alternative II, and who elect to directly receive any taxable portion of their Annuity Savings Account should be aware that the IRS requires the Fund to withhold at least twenty-percent (20%) of that taxable portion. Further, if the retiring member is under the age of 59 ½, there may an additional 10% penalty assessed by the IRS on any taxable portion of the Annuity Savings Account that the retiring member withdraws.
4. Retirees taking Alternative II, and who elect to directly receive any taxable portion of their Annuity Savings Accounts, may wish to withhold State Income Tax from the taxable portion of the lump sum being withdrawn, even though Indiana withholding on lump sum payments is optional. Included in this section of the packet is Indiana State Withholding form WH-4P for lump sum payments. If you wish to have Indiana taxes withheld from the *lump sum payment*, in the box marked "A," please list your Teachers' Retirement Fund number. In the box marked "B. \$," please put the exact amount (in dollars) that you wish to have withheld from the lump sum payment.
5. State withholding on *monthly pension payments* is optional. If a retiree decides to have money withheld for Indiana State Income Tax, the retiree should fill out the Wh-4P form marked "monthly." In the box marked "A," please list your Teachers' Retirement Fund number. In the box marked "B. \$," please list the exact amount (in dollars) that you would like to have withheld each month.
6. Retirees who reside out-of-state should not fill out an Indiana State Withholding Form WH-4P for either lump sum withholding or monthly withholding. The Fund can only deduct Indiana State tax. If you reside out-of-state, you will not owe any Indiana tax.

INSTRUCTIONS FOR RETIREES TAKING ALTERNATIVE II AND WHO INTEND TO ROLLOVER ALL OR A PORTION OF THE TAXABLE AMOUNT OF THE ANNUITY SAVINGS ACCOUNT.

1. Retirees taking Alternative II should read the "Special Tax Notice Regarding Plan Payments" in this section of the retirement packet.
2. Retirees taking Alternative II must fill out the Substitute Federal Withholding Tax Form for monthly payments. Please contact a qualified tax consultant for information on how payments from our Fund may effect your personal tax situation.
3. State withholding on monthly pension payments is optional. If a retiree decides to have money withheld from monthly payments for Indiana State Income Tax, the retiree should fill out an appropriate WH-4P form. In the box marked "A," please list your Teachers' Retirement Fund number. In the box marked "B. \$," please list the exact amount (in dollars) that you would like to be withheld.

TRF strongly recommends that any retiree who has a question concerning the tax consequences of his/her retirement options consult a qualified tax consultant.